

# *FHA Lender Insurance and Electronic Case Binder Implementation*



*Lender Training*

*December 2005*

## *LI Implementation Overview*

- Lenders must qualify to be authorized for LI
- LI approved lenders may insure their loans
- LI-approved lenders only submit case binders if the case is selected for review or has a case warning
- Case binders can be submitted in either paper or electronic (eCB) format
- HECMs are not included in the LI program

## *Lender Insurance (LI) Regulation & Mortgagee Letter*

- U.S. Code of Federal Regulations (24 CFR 203.4, 203.6, and 203.225(f))
- Mortgagee Letter 2005-36, dated September 23, 2005, explains the program changes related to LI.

## *LI Implementation Schedule*

- September 26 through December 31, 2005: Pilot
- January 3, 2006: LI and eCB open to all lenders

## *Pilot Participation*

- September 26, 2005: Wells Fargo began endorsing loans and submitting eCBs for requested cases
- October 2005: Countrywide, Bank of America, and Kentucky Housing Agency Corporation began pilot
- November 2005: Pacific Community began pilot

## *Lender Eligibility*

- Lenders LI criteria:
  - Unconditional Direct Endorsement approval for at least 2 years
  - Default and claim rate at or below 150 percent of:
    - National default and claim rate or
    - State default and claim rate (single state lenders only)
- Pre-closing status is not eligible

## *Lender Eligibility Cont.*

- LI approval tracked on the CHUMS Title II Institution File – F17SIT screen
- Lenders are approved for LI at the corporate level
- Lender eligibility is automatically checked annually
- Neighborhood Watch is the system used to determine acceptable default/ claim rate

## *Neighborhood Watch & LI Eligibility*

- Access Neighborhood Watch at <https://entp.hud.gov/sfnw/nw/>
- Select *Early Warnings*
- Select *Single Lender*
- Type the first few letters of the lender name or the five digit lender id.

## *Neighborhood Watch & LI Eligibility*

- Select *Direct Endorsement Lender* from the *Mortgagee Selections* window
- Select *Current Defaults* from the *Default Choices* window
- Select the most recent date from the *Performance Period* window.
- Select *Nationwide Totals* from the *Show Data for* window (select State for single State lenders).
- View *Total Compare Ratio* (Compare Ratio for all Direct Endorsement loans including both retail and sponsored < or = 150%)

# Neighborhood Watch & LI Eligibility

**Neighborhood Watch** EARLY WARNING SYSTEM US Department of Housing and Urban Development

[Early Warnings](#) [Servicing](#) [Analysis](#) [Details](#) [Queries](#) [Reporting](#) [Help/About](#) [Home](#)

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**EARLY WARNINGS -- SINGLE LENDER**

Direct Endorsement Lender: **MORTGAGE COMPANY - 98765**  
Area: **UNITED STATES**

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<b>Mortgagee Selections:</b>	<b>Default Choices:</b>	<b>Performance Period:</b>
Direct Endorsement Lender Originator by Institution Originator by Branch	Current Defaults Defaults within the first year Defaults within the first two years	Data as of 08/31/2005 Data as of All Quarter End Dates Data as of 06/30/2005

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☒ **Compare Lenders to Area:**  
☐ **View Credit Watch data:** (must select HUD Offices from the "Show Data For" box)

---

**Output Options:** Show: **All Loans**

Show only records between	1	and	9999999	total loans underwritten
and between	0	and	9999999	total defaults and claims
and between	0	and	9999999	compare ratio

---

Show Data For: **Nationwide Totals**

---

**Report Options:** ☐ Detail and Totals ☒ Detail Only ☐ Totals Only

Sort By: **Percent of Defaults and Claims** **Descending**

# Neighborhood Watch & LI Eligibility

## Neighborhood Watch EARLY WARNING SYSTEM

US Department of Housing  
and Urban Development

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### Single Lender - Direct Endorsement Lender

MORTGAGE COMPANY - 98765


### Loans Underwritten in the United States

Default Choice - Defaults Within the First Two Years

Performance Period - 08/31/2005

Sort Order by Percent of Default in Descending Order

Data shown includes all insured single family loans with beginning amortization date between **September 01, 2003 and August 31, 2005**

Rank	United St	Compare Ratio	Loans Underwritten	Total Defaults by 2 Yr	% Defaults by 2 Yr	# of Defaults by 2 Yr to Claim	% of Defaults by 2 Yr to Claim	Branches	% Loans	Area Loans Underwritten	Area Defaults by 2 Yr	% Area Defaults by 2 Yr	Area # of Defaults by 2 Yr to Claim	% Area Defaults by 2 Yr to Claim
		Total Retail nsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Retail Sponsored	Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored
1	 <a href="#">United States</a>	72%	<a href="#">114,791</a>	<a href="#">4,018</a>	3.50	590	14.68			1,387,404	67,601	4.87	6,496	9.61
		65%	65,994	1,858	2.82	249	13.40	<a href="#">97</a>	57.49	931,790	40,722	4.37	3,810	9.36
		76%	48,797	2,160	4.43	341	15.79	<a href="#">3,133</a>	42.51	455,614	26,879	5.90	2,686	9.99

Displaying records 1 to 1 out of a total number of 1 records

[Download this report to an Excel file](#) [\[Help\]](#)

## *Lender Application for LI*

- Lenders must apply and be approved for the LI program
- Beginning January 3, 2006, lender Application Coordinators use a link on the **FHA Connection ID Administration Request** page to use the ***Acknowledgment of Terms and Conditions for Lender Insurance*** page
- Lenders will not send applications to the HOC or to Lender Approval

# *Lender Application for LI Link*

## *FHA Connection ID Administration Request*

<u>Business Background</u>	<u>Steps for Processing</u>	<u>Field Descriptions</u>
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Choose one of the following:

[TOTAL Scorecard Acknowledgment](#)



Link to LI application  
acknowledgment to be placed  
here

Query FHA IDs:

By FHA ID:

By Last Name:  First Name:

By ID Status:

By Assigned After the Date:  /  /

Sorted By:

## ***Acknowledgment of Terms and Conditions for Lender Insurance***

The FHA-approved Direct Endorsement mortgagee, as identified here by the CHUMS identification number prior to participating under FHA's Lender Insurance program, certifies that by this use and all subsequent transmissions of loan-level data needed to induce the Federal Housing Administration to offer insurance endorsement, that it will:

1. Participate under the Lender Insurance program in accordance with the requirements described in 24 CFR §§ 203.4, 203.6 and 203.255(f).
2. Conduct a pre-insurance review of each mortgage as required under 24 CFR 203.6; that no staff member who performs this review will have originated or underwritten said mortgage; and that no staff member will who originates or underwrites said mortgage will perform this review.
3. Transmit a true, accurate, and complete paper or digitized case binder in a manner as prescribed by FHA within a time limit as prescribed by FHA following FHA's request;
4. Maintain a copy of said mortgage case binder for a minimum of two years following endorsement, either in hard copy or digitized format, and make it available to FHA within a time limit as prescribed by FHA following FHA's request;
5. Comply with any additional HUD/FHA requirements or procedures that are applicable to the implementing statute (Section 256 of the National Housing Act); those regulations cited above; all pertinent mortgagee letters regarding FHA's Direct Endorsement and Lender Insurance programs and other administrative notices issued by HUD/FHA as well as all other FHA mortgage insurance requirements.

5 CFR 1320.3(h)(1) exempt: certification.

☐ I agree and certify to these terms

Send

Reset

***Acknowledgment of Terms and Conditions for Lender Insurance***

# *Insuring Authorization*

Once a lender is LI approved then:

- LI lender's FHAC Application Coordinator grants the **Insuring Authorization** to qualified employees to endorse cases via the FHAC
  - Authorization is good for both FHAC and B2G
  - Users with this authorization can also add/update case information
- If the lender does not qualify for LI an error message will display

# Insuring Authorization in FHAC Security Administrators Screen

## Authorization for CHUMS Applications:

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> CAIVRS Authorization | <input checked="" type="checkbox"/> Case Query              | <input type="checkbox"/> Mortgage Insurance Certificate |
| <input checked="" type="checkbox"/> Case Transfer        | <input checked="" type="checkbox"/> Refinance Authorization | <input type="checkbox"/> Underwriter Registry           |
| <input checked="" type="checkbox"/> Underwriters         | <input type="checkbox"/> Origination Reports                | <input type="checkbox"/> MIC/NOR List                   |
| <input type="checkbox"/> Mortgagee Performance Report    |   |   |

## Appraisal Processing:

- ☒ Add/Update
- ☐ Query (Read-Only)
- ☐ Not Authorized

## Insurance Application:

- ☐ Insuring Authorization
- ☐ Add/Update
- ☒ Query (Read-Only)
- ☐ Not Authorized

## Non Profits:

- ☐ Query (Read-Only)
- ☒ Not Authorized

## 203K Consultants:

- ☐ Query (Read-Only)
- ☒ Not Authorized

## Notice of Return:

- ☐ Query (Read-Only)
- ☒ Not Authorized

## Case Number Assignment:

- ☒ Add/Update
- ☐ Query (Read-Only)
- ☐ Not Authorized

## Inspector Assignment:

- ☒ Add/Update
- ☐ Query (Read-Only)
- ☐ Not Authorized

## 203k Case Close-Out:

- ☐ Add/Update
- ☒ Not Authorized

## Mortgage Credit Reject:

- ☒ Add/Update
- ☐ Query (Read-Only)
- ☐ Not Authorized

## Borrower/Address Change:

- ☒ Update
- ☐ Query (Read-Only)
- ☐ Not Authorized

## Authorization for Lender Approval Applications:

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Add Branch               | <input type="checkbox"/> Terminate Branch        | <input type="checkbox"/> Update Branch                |
| <input type="checkbox"/> Query Branch             | <input type="checkbox"/> Update Institution      | <input checked="" type="checkbox"/> Query Institution |
| <input type="checkbox"/> Update Sponsor Relations | <input type="checkbox"/> Query Sponsor Relations | <input type="checkbox"/> Update Authorized Agent      |

## *LI Termination Provisions*

- Failure to adopt and employ prudent review techniques
- Termination of DE approval for the mortgagee or any branch also terminates LI for the mortgagee or any branch
- Failure to maintain the eligibility criteria (reviewed annually)

## *Pre-Insurance Review*

- Lenders are required to perform a pre-insurance review prior to lender insuring
- Review staff must be other than those that originated or underwrote the mortgage
- Review requirements are outlined in Mortgagee Letter 2005-36

## *Case Binders and LI*

- LI lenders submit binders only when the case has:
  - Severe case warning:
    - ▬ borrower failed SSN validation
    - ▬ CAIVRS hit
    - ▬ or LI deficiency exits
  - Selected for Underwriter Review (PETR), or
  - Selected for Appraiser Review
- Requested case binders must be submitted within five business days of the request date
- eCB approved lenders are required to submit only electronic case binders
- Yellow binders are required for paper case binder submission

## *Failure to Submit LI Case Binders*

- Failure to submit 5 or more case binders will result in the suspension of LI approval.
- LI Suspension will be determined by the P&U Directors and will be updated by CHUMS Coordinators
- LI will be reinstated once the LI lender submits the outstanding binders

## *Case Binder Submission Notification*

Case binder submission requests can be viewed via:

- **Insurance Application** screen
- **Binder Selection page** (available on the Case Processing menu)
- **Case Query**
- **Appraisal Review functions**

## *About Electronic Case Binders (eCBs)*

- Digitized case binder is referred to as eCB or eBinder
- To submit an eCB, lender scans closing package documentation into an XML file using the MISMO ePackage SmartDoc standard
- *Electronic Case Binder Developer's Guide* located at <http://www.hud.gov/pub/chums/electronicCaseBinder.pdf> Standards for the eCB and the test site for transmittals
  - Indexing requirements for the documents included in the eCB
- HUD's goal is to make eCBs a future LI program requirement

## *Maintaining Case Binders*

- The LI originator/sponsor must maintain the case binder for two years from the date of insurance
- The servicing lender must maintain the case binder for the life of the loan plus 2 years; 3 years if a claim is paid
- Ecb approved lenders must submit ecbs upon request

## *Case Binder Tracking System Change*

- The Case Binder Tracking System (CBTS) was modified to deny entry of eCB cases

## *Tools for Tracking Case Binders*

- Available to LI lenders and HUD personnel
- Provide the status of requested binder(s)
- For multiple cases: use new FHA Connection **Binder Selection**
- For a single case: use FHA Connection **Case Query**

# Case Binder Selection Links

## Case Processing



- ◆ [Case Number Assignment](#)
- ◆ [Appraisal Logging](#)
- ◆ [Insurance Application](#)
- ◆ [HECM Insurance Application](#)
- ◆ [203k Case Close-Out](#)
- ◆ [Appraiser Reassignment](#)
- ◆ [Borrower/Address Change](#)
- ◆ [CAIVRS Authorization](#)
- ◆ [Case Query](#)
- ◆ [Case Transfer](#)
- ◆ [Conditional Commitment](#)
- ◆ [Firm Commitment](#)
- ◆ [Inspector Assignment](#)
- ◆ [MIC/NOR List](#)
- ◆ [Mortgage Credit Reject](#)
- ◆ [Mortgage Insurance Certificate](#)
- ◆ [Notice of Return](#)
- ◆ [Refinance Authorization](#)
- ◆ [Refinance Credit Query](#)



Processing a Mortgage for FHA Insurance

What I Need to Know . . .

- ◆ [Case Cancel/Reinstate](#)
- ◆ [Case Warning](#)
- ◆ [Closing Package Logging](#)
- ◆ [TOTAL Scorecard Emulator](#)
- ◆ [TOTAL Scorecard Reports](#)
- ◆ [Binder Selection](#) 



FHA Connection



Single Family FHA



SF Origination

## *Tracking Case Binders by Status*

- Binders Requested
- Binders Received
- Binders Not Accepted
- Binders Received for Cases Awaiting Endorsement

# Binders Requested

## ◆ Binder Selection

### *Binders Requested*

<a href="#">Business Background</a>	<a href="#">Steps for Processing</a>	<a href="#">Field Descriptions</a>	<a href="#">Help</a>
-------------------------------------	--------------------------------------	------------------------------------	----------------------

Binder Status:

HOC:

Lender ID:

Lender Type:



[\[SF FHA\]](#) [\[Case Processing\]](#)

Comments or Questions [<SF Administration>](#)

# Binders Received

## ◆ Binder Selection

### Binders Received

<a href="#">Business Background</a>	<a href="#">Steps for Processing</a>	<a href="#">Field Descriptions</a>	<a href="#">Help</a>
-------------------------------------	--------------------------------------	------------------------------------	----------------------

Binder Status:

HOC:	<input type="text" value="Atlanta"/>
Lender ID:	<input type="text"/>
Lender Type:	<input type="text" value="Select Lender Type"/>
Begin Date:	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
End Date:	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>



[\[SF FHA\]](#) [\[Case Processing\]](#)

Comments or Questions [<SF Administration>](#)

# Binders Not Accepted

## ◆ Binder Selection

### *Binders Not Accepted*

<a href="#">Business Background</a>	<a href="#">Steps for Processing</a>	<a href="#">Field Descriptions</a>	<a href="#">Help</a>
-------------------------------------	--------------------------------------	------------------------------------	----------------------

**Binder Status:**

**Binder Type:**

- ☐ Paper  
☐ Electronic

<b>HOC:</b>	<input type="text" value="Denver"/>	(Paper only)
<b>Lender ID:</b>	<input type="text" value="22995"/>	
<b>Lender Type:</b>	<input type="text" value="Originator"/>	(Paper only)
<b>Begin Date:</b>	<input type="text" value=""/>	<input type="text" value=""/>
<b>End Date:</b>	<input type="text" value=""/>	<input type="text" value=""/>



# Binders Awaiting Endorsement

## ◆ Binder Selection

### Binders Awaiting Endorsement

<a href="#">Business Background</a>	<a href="#">Steps for Processing</a>	<a href="#">Field Descriptions</a>	<a href="#">Help</a>
-------------------------------------	--------------------------------------	------------------------------------	----------------------

Binder Status:

HOC:



[\[SF FHA\]](#) [\[Case Processing\]](#)

Comments or Questions [<SF Administration>](#)

# Binder Selection Results

## ◆ Binder Selection Results

### Binders Awaiting Endorsement

<a href="#">Business Background</a>	<a href="#">Steps for Processing</a>	<a href="#">Field Descriptions</a>	<a href="#">Help</a>
-------------------------------------	--------------------------------------	------------------------------------	----------------------



Message: BINDER SELECTION HAS BEEN SUCCESSFULLY COMPLETED

#### Selection Criteria

Binder Status: Awaiting Endorsement

HOC: Atlanta

Binder Selection as of 10/13/2005  
(2 records were selected, 2 records displayed.)

Case Number	Originator	Sponsor	Requested Date	Received Date	Assigned Date	Assigned to
093-5922878	1550200009	2299509990	10/04/2005	10/05/2005	N/A	N/A
461-3997767	2299500700	N/A	10/07/2005	10/10/2005	N/A	N/A




[\[SF FHA\]](#) [\[Case Processing\]](#) [\[New Request\]](#)

Comments or Questions [<SF Administration>](#)


## *Case Query: New Fields*

- Endorsement Processed by
  - Lender
  - HOC
  - N/A
- Binder Status
  - Awaiting Receipt
  - Electronic Binder Received
  - Paper Binder Received
  - Not Requested

# Case Query: New Fields











 **Case Query Results**

Business Background	Steps for Processing	Field Descriptions	Help
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 **Message: CASE QUERY SUCCESSFULLY COMPLETED**

*FHA Case Number:* **093-5922878**  
*Borrower Name:* **HARTLINE, LEAFAH**  
*Property Address:* **3496 S ARUNDEL TER  
HOMOSASSA FL 344480000**

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*Originator Name:* [AMERICA'S MORTGAGE BROKER LLC](#)  
*Sponsor/Agent Name:* [WELLS FARGO BANK NA](#)  
*Case Type:* **REGULAR**  **FACT ENDORSEMENT (ADP Code 703)**  
*Endorsement Processed by:* **N/A**  **Binder Status:** **ELECTRONIC BINDER RECEIVED**  
*Appraiser License:* **FLRD3708**  **Case Received Date:** **04/15/05**  
*Appraiser Name:* **PAYNE, RICKY A**  **Appraisal Logged Date:** **09/08/05**  
*Closing Package Received Date:* **10/05/05**  **Closing Date:** **08/22/05**  
*Insurance Date:*   **Loan Data Print Date:**   
*Upfront MIP Due:* **\$673.65**  **Upfront MIP Received Date:** **08/26/05**  
*Upfront MIP Received:* **\$673.65**  **Upfront MIP Late Due?** **No**  
*Appraised Value:* **\$50,000.00**  **TOTAL Score Processed:** **Yes**  
*Loan Term:* **360**  **Mortgage Amount:** **\$45,583.00**  
*Last Action Date:* **10/05/05**  
*Last Action:* **CLSG PACK**

## *Insurance Application Page Changes*

Note:

- Now displays all case warnings
- *Endorsement Information* section is now available for authorized LI lenders
- The **Insured by** field displays for LI lenders
  - the user ID of the lender employee that insured the case
  - the word *HOC* to indicate insurance by a HOC staff member
- For HOC users, the ID of the person that endorsed the case is displayed
- The **Insured by** field is not displayed for non-LI lenders

# *Insurance Application Page Messages*

- The Insurance Application Results page displays messages when:
  - Case binder submission is required due to:
    - A severe case warning, or
    - Selection for underwriter review (post-endorsement technical review) or appraiser review
  - The binder is requested or received

# *Insurance Application Changes*

- The **Closing Package** function is automatically processed when the case is successfully endorsed even though submission of the closing package (case binder) may not be required
- Non-severe case warnings:
  - cannot be acknowledged by lenders
  - are automatically bypassed at endorsement

# *eCB Case Processing*

*Case Selected for Review  
(Electronic Case Binder [eCB])*

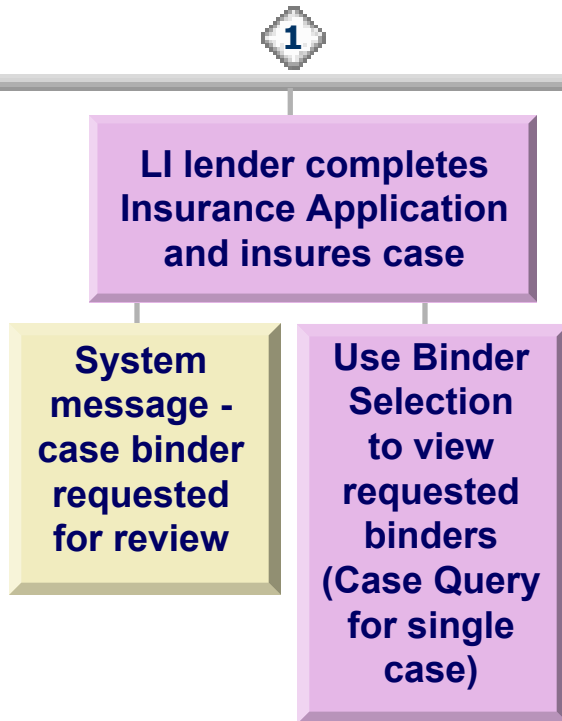
# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*

1

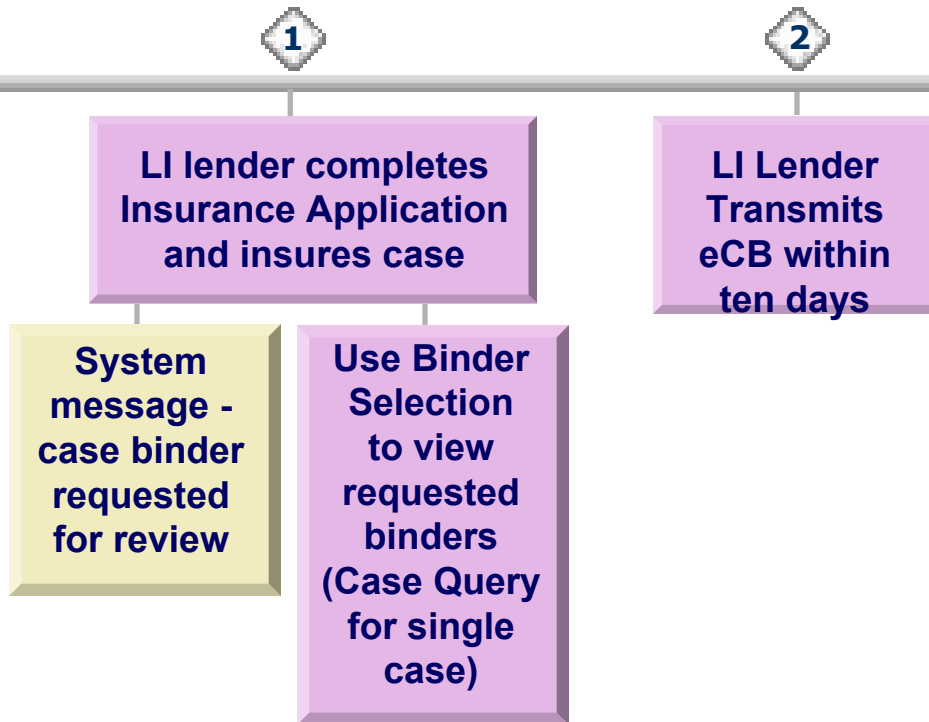
LI lender completes  
Insurance Application  
and insures case

System  
message -  
case binder  
requested  
for review

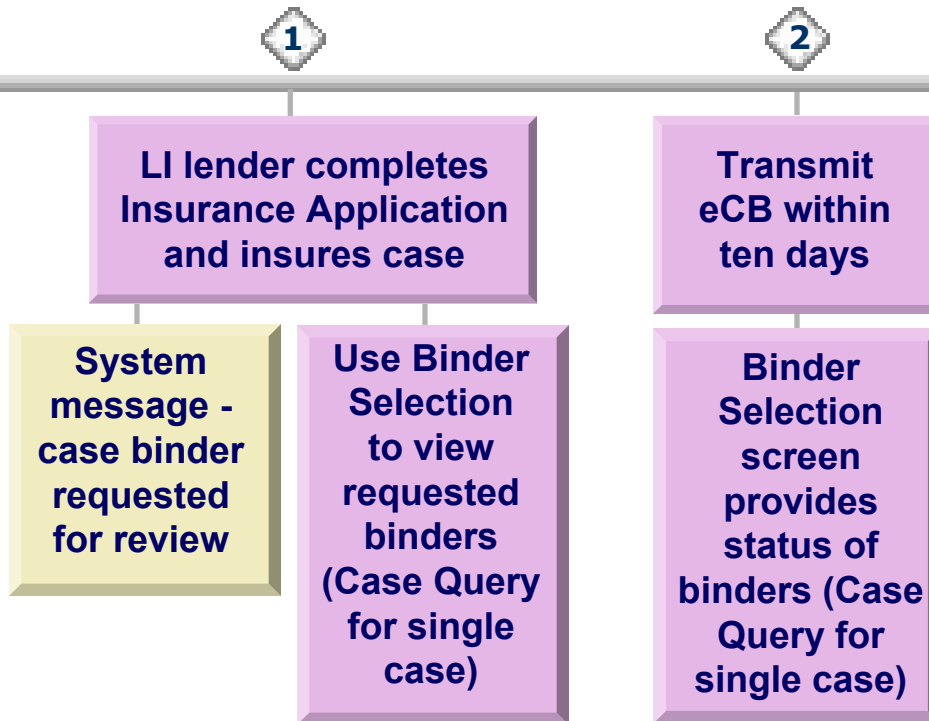
# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*



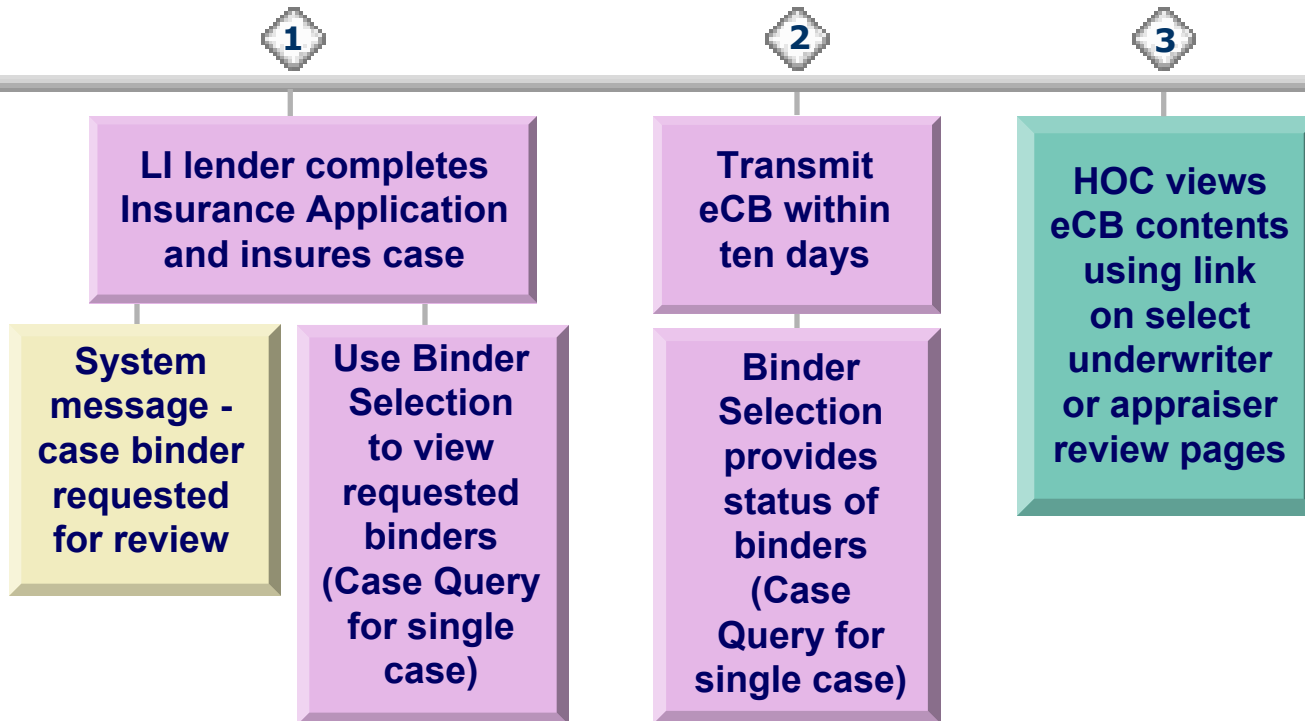
# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*



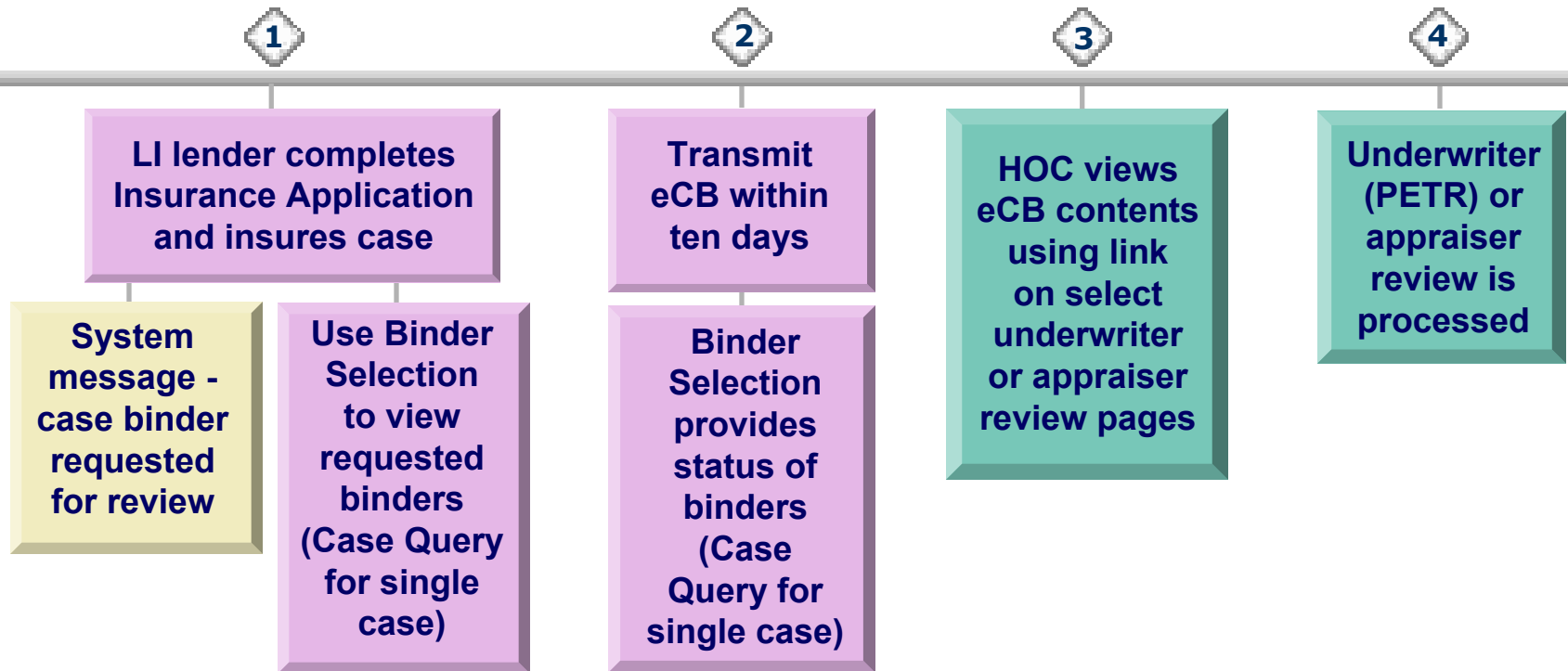
# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*



# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*



# *Case Selected for Underwriter (PETR) or Appraiser Review – eCB*



# *eCB Case Processing*

*Severe Warning*  
*(Electronic Case Binder [eCB])*

# Severe Warning – eCB

1

LI lender completes  
Insurance Application  
but cannot insure case

Case  
warning  
message;  
case  
binder  
requested

System

LI Lender

HOC

# Severe Warning – eCB

1

LI lender completes  
Insurance Application  
but cannot insure case

**Case  
warning  
message;**  
case  
binder  
requested

Use Binder  
Selection screen  
to view  
requested  
binders (Case  
Query for single  
case)

# Severe Warning – eCB

1

LI lender completes  
Insurance Application  
but cannot insure case

**Case  
warning  
message;**  
case  
binder  
requested

Use Binder  
Selection  
to view  
requested  
binders (Case  
Query for  
single case)

2

LI lender  
transmits  
eCB within  
ten days

# Severe Warning – eCB

1

LI lender completes  
Insurance Application  
but cannot insure case

**Case  
warning  
message;**  
case  
binder  
requested

Use Binder  
Selection  
to view  
requested  
binders (Case  
Query for  
single case)

2

Transmit  
eCB within  
ten days

Binder  
Selection  
screen  
provides  
status of  
binders (Case  
Query for  
single case)

# Severe Warning – eCB

1

LI lender completes Insurance Application but cannot insure case

Case warning message; case binder requested

Use Binder Selection to view requested binders (Case Query for single case)

2

Transmit eCB within ten days

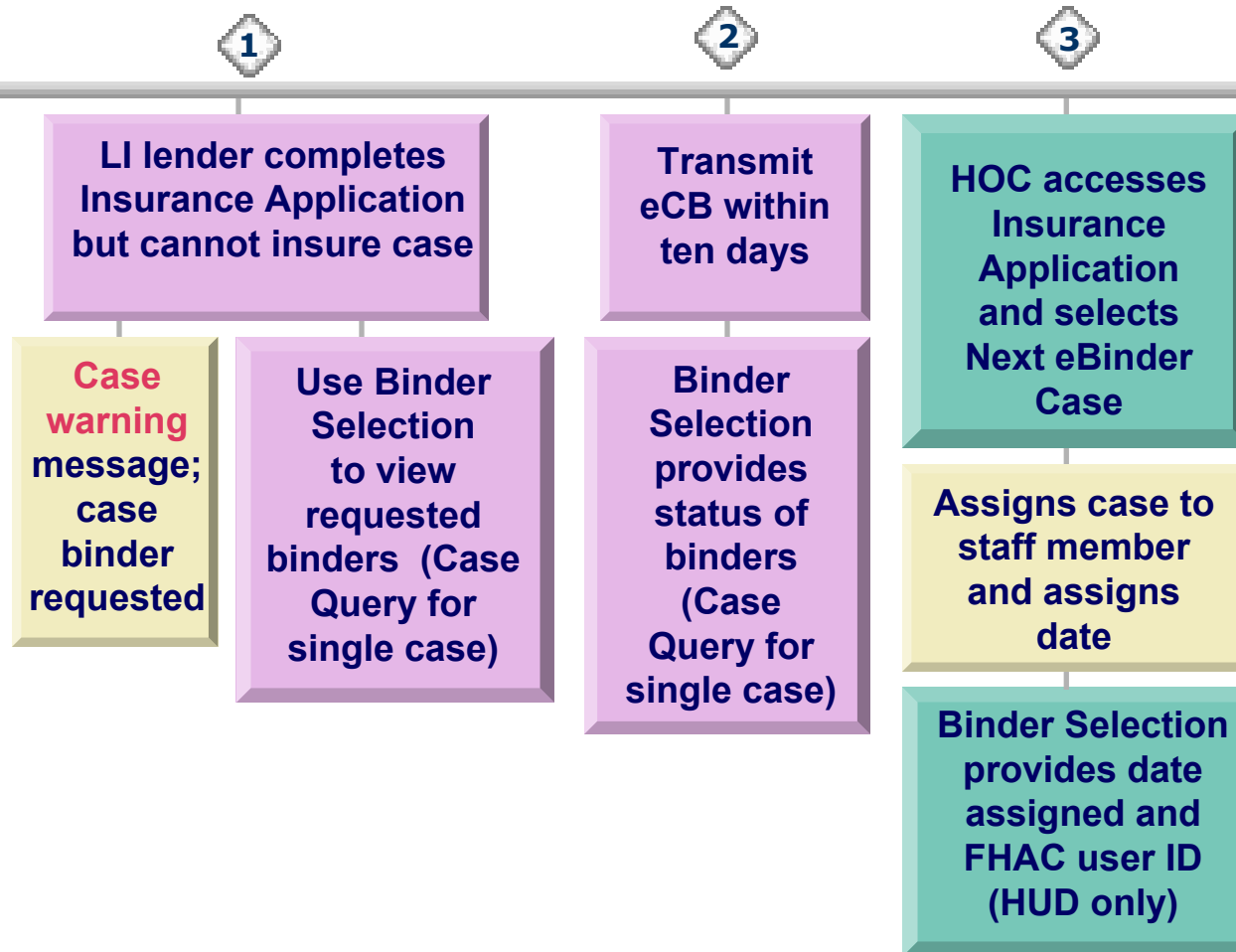
Binder Selection provides status of binders (Case Query for single case)

3

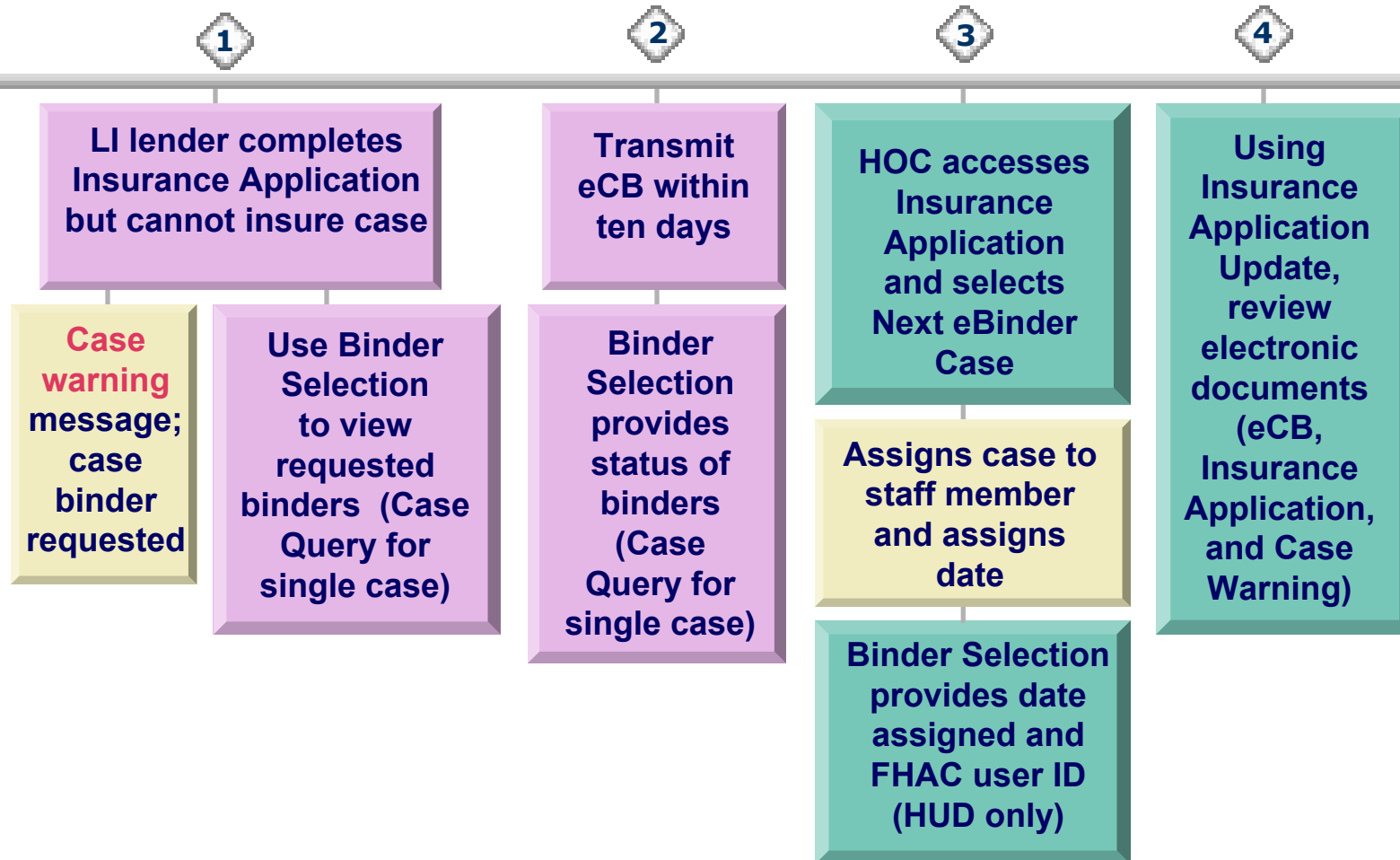
HOC accesses Insurance Application and selects Next eBinder Case

Assigns case to staff member and assigns date

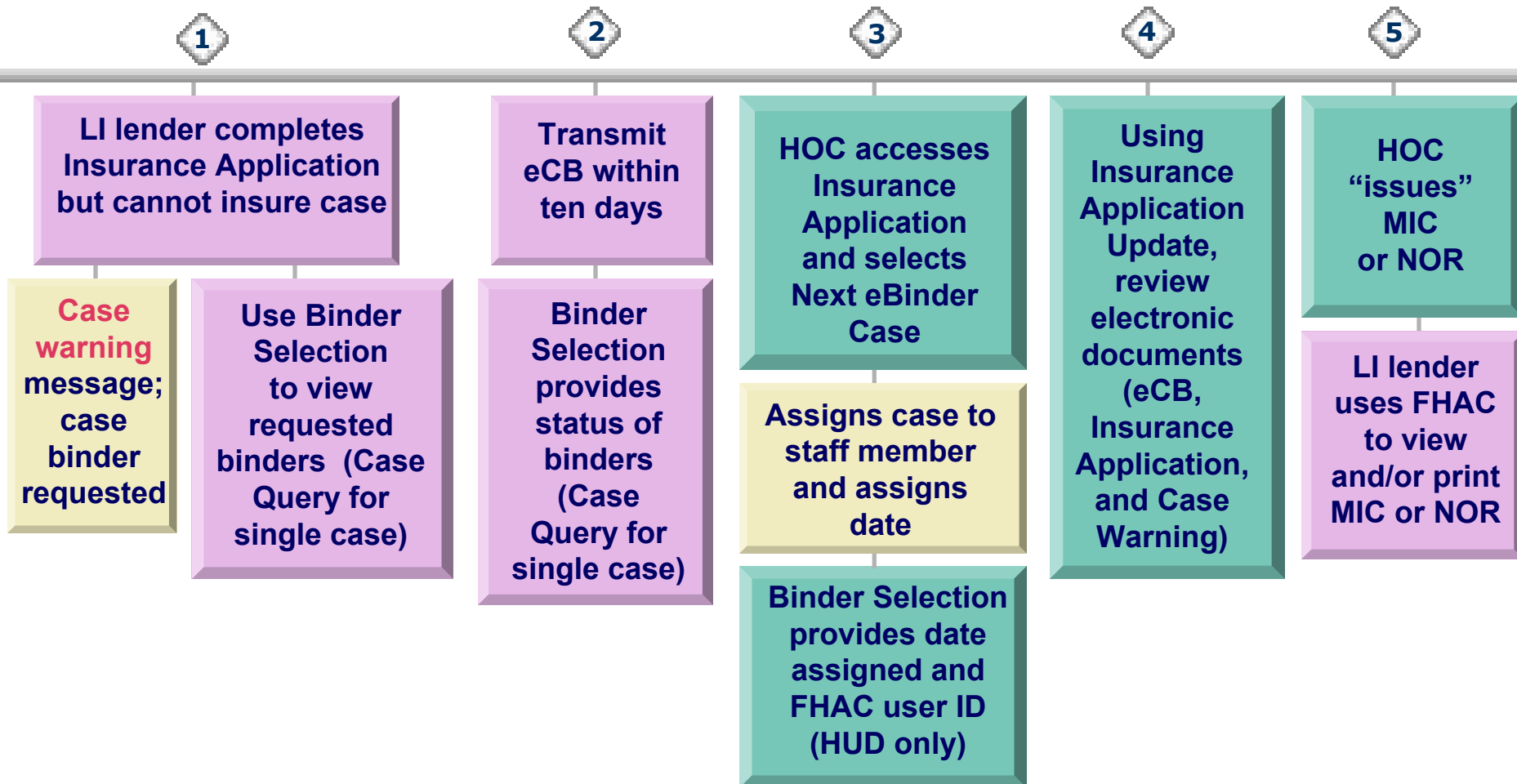
# Severe Warning – eCB



# Severe Warning – eCB



# Severe Warning – eCB



# *Appraiser Review Changes*

- If an eCB is received for an LI case, the **View Electronic Documents** link is provided for the following appraiser review functions:
  - Appraiser Review Status
  - Completeness Check – Pre Desk Review
  - Field Review Feasibility Checklist
  - Desk Review Tracking
  - Field Review Submission
  - Form Processing
  - Completeness Check – Post Field Review
  - ARR Scoring Form
  - Rating Tracking



## Appraiser Review Status Update

[Business Background](#)[Steps for Processing](#)[Field Descriptions](#)[Help](#)

**FHA Case Number:** 061-2811680

**Property Address:**

224 HENDLEY ST

MIDDLETOWN, CT 064570000

**Originator Name & ID:**

IRWIN MORTGAGE CORPORATION

1377900826

**Appraiser Name, ID & License:**

MAHER, CHRISTOPHER S

(8BYXCM) CTRCR321

**Sponsor Name & ID:**

No Sponsor for this Case

**Link to eCB**

[View Electronic Documents](#)

This case is being processed by Headquarters HOC

### Why Selected for Potential Field Review:


**Initiating Organization:**

**Initiating POC:**

**Reason for Review:**

**Source of Data Reviewed:**

**Risk Based Indicator:**

**Date Case File Received:**    

**Comments:**

Send

Reset

**Appraiser Review Status Update**

## *Summary of Requirements for Processing LI Cases*

- Lenders must apply and be approved for the LI program
- Appropriate FHA Connection authorization must be granted to allow employees of the lender to endorse cases
- If the lender chooses to send eCBs, the lender's insurance status must be changed to E on the CHUMS Title II Institution File – F17SIT screen by HUD